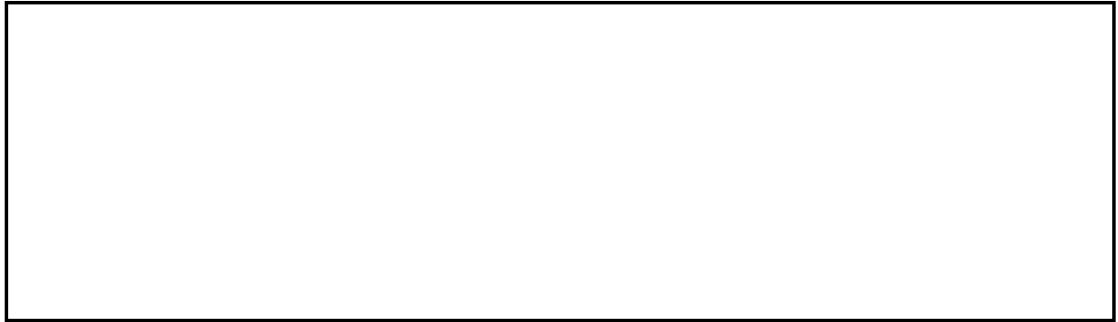


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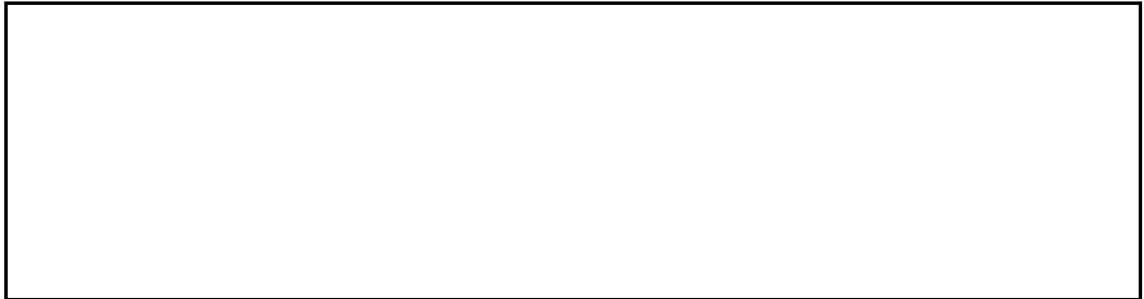
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Provincial, Municipal Returns Confirm Leftist  
Trend in Italy

The returns from Italy's provincial and municipal elections confirm the marked turn to the left registered in the regional vote.

In the provincial contests--which involved the largest part of the electorate--the Communists, Socialists, and the more extreme left together polled close to 46 percent, a 4- to 5-percent increase over the total received in the 1972 parliamentary and 1970 regional elections. The Communists again were the main winners; the Christian Democrats hit a postwar low. The Neo-Fascists and the rest of the right also declined.

The municipal count gave the Communist Party first place in such major cities outside the red belt as Milan, Naples, and Venice, but Communist participation in the municipal government looks possible only in Venice. The Communists augmented their positions in such strongholds as Florence and Bologna. In other cities where municipal elections were not held--Rome and Genoa, for example--the regional returns show the Communists in first place.

The results reinforce the Socialist Party's position as the Christian Democrats' most important partner. The nationwide decline of the Liberal Party has at the local level deprived Christian Democrats of the possibility of centrist coalitions in many localities, an option they previously have used to moderate Socialist demands. The Socialists have emerged in some places with the choice of joining the Christian Democrats in a center-left government or the Communists in "frontist" administrations.

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The Socialists are likely to behave at the national level as though the parliamentary balance had shifted in their favor. The Christian Democrats now appear to have two alternatives: either reach an agreement with the Socialists on the terms for a new center-left government or move toward early national elections. Although renewing the coalition seems the more likely course, many difficulties lie along the way.

Not the least of these difficulties is the dissent within each party over how to deal with the other. Socialist leader De Martino seems inclined to try to use his new leverage to resume participation in the government on improved terms. Some influential Socialists, however, will argue against doing so, now that the Communists' opposition status has proved more profitable at the polls than the Socialists' participation in the government with the Christian Democrats.

The Christian Democrats for their part, probably face a major internal battle over the party's leadership and policies. Party chief Fanfani--on whom both the Communists and Socialists centered their campaign attacks--will almost certainly be ousted. The new leader will then face the task of drawing a consensus from the party factions--whose views contrast sharply--over how to stop the erosion of Christian Democratic appeal.

Political leaders, including the Communists, have still not gone beyond their initial cautious comments on what amounts to the largest shift in Italian voting patterns since 1948. Serious assessment of the election results will lead off tomorrow with a meeting of the Christian Democrats' party directorate.

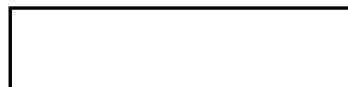
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New EC Raw Materials Policy Urged

The EC Commission has called on the member states of the Nine to develop a policy on raw materials in preparation for the special session of the UN General Assembly in September and a resumption of the dialogue between oil producers and consumers.

The Commission is urging the Nine to play an active, if not in fact the decisive, role in restoring a climate of cooperation between developed and developing countries. The Commission in general is asking for better trading terms for the developing countries and assurances that the supply of raw materials to the developed countries will remain stable.

Specific proposals presented to the Council last week outline possible Community approaches to commodity agreements, the stabilization of the export earnings of developing states, and the development of alternatives to dependence on oil for energy supplies. The Commission hopes that the Council will advance the debate on June 24 and EC leaders will be able to approve a policy when they meet on July 16-17 as the "European Council".

In order to facilitate the resumption of the dialogue with oil producers the Commission has suggested that the Community bypass procedural matters for the moment and focus on substantive questions. The Commission believes that the Nine should now announce its willingness to begin discussions on energy and raw materials in parallel and include, as well, the problems of development assistance to the Third World.

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Special attention should be paid to the problems of those developing countries most seriously affected by the rise in oil prices and the need to increase food production. A permanent framework should be established for cooperation and coordination on energy matters while efforts should be made to avoid duplicating work on raw materials and development policy carried out in other international fora.

The Commission believes that in order to provide the Community with greater energy security, the debate over setting a floor price for oil is less urgent than a stronger energy conservation program and large scale investment in alternate sources of energy.

Commission suggestions on raw materials policy are designed primarily to reduce the impact of excessive price fluctuations in raw materials. The Commission argues that international commodity arrangements should provide for joint producer and consumer participation in the costs and management of commodity agreements. Five commodities were selected as likely candidates for new agreements--copper, zinc, lead, cotton and wool.

The Commission has also proposed an international system to guarantee the earnings of developing states from certain raw materials. Under the proposed scheme, patterned after the "Stabex" provisions of the Lomé Convention, EC payments under Stabex would be deducted from the EC's contribution to the global arrangement.

Oil-exporting, state-trading and developed states would be asked to participate in the scheme. The Commission proposal focuses on aiding the poorest of the developing states. A long list of tropical agricultural products would be included as eligible for export-earnings stabilization.

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Substantive EC-Arab Dialogue Begins

The first meeting of the EC-Arab experts in Cairo last week was a success and apparently opens the way for cooperation in a number of fields. The experts skirted the three troublesome topics of oil, Israel, and the Palestinians, which have impeded discussions of the French-initiated proposal over the past year and a half. A second meeting is planned for late July and will be similarly structured to deny specific representation to the Palestine Liberation Organization.

Italy, which is about to assume the EC presidency for the remainder of the year, will provide the chairman, much of the planning, and probably a site near Rome. The West German adviser on the EC side has undertaken to propose a viable and popularly appealing cooperative project that might be tabled to demonstrate that progress is being made. There is evidently no EC consensus as yet, however, on the wisdom of moving so quickly.

The participants in the Cairo meeting proposed six areas for future economic cooperation: industrialization; basic infrastructure; agriculture and rural development; financial cooperation; trade; and cooperation in the scientific, technological, cultural, labor and social areas. The political dimensions of the dialogue were described simply as an effort to renew links between the neighboring regions, to eliminate misunderstandings, and to establish bases for future cooperation.

The listing of labor and trade as areas for cooperation was a concession by the EC, but the community refused Arab demands that would establish the principle of identical EC trade treatment

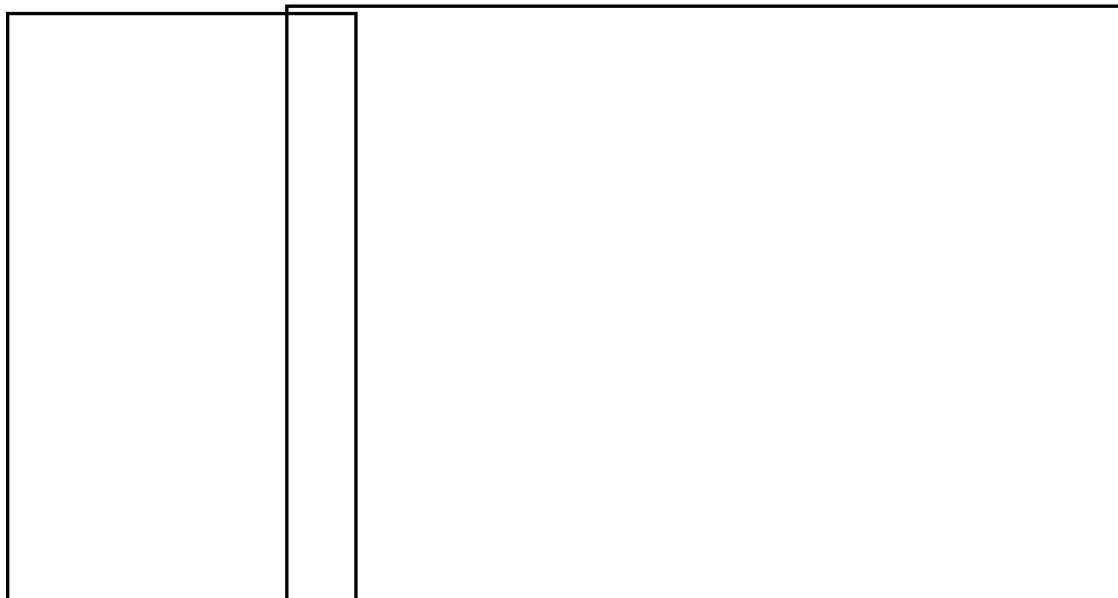
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for all Arab states. The EC also rejected Arab demands that would have guaranteed training and equitable treatment for Arab workers in Europe. Both topics are important in the negotiation of specific community agreements with individual Arab states, which is simultaneously underway, and the EC does not want to generalize the benefits given to one state.

The major Arab concession, in addition to the format of the meeting, was the omission from the final confidential joint memorandum of any reference to guarantees for Arab investments in Europe.



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